

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AGR-05 SS-15 AID-05 CIAE-00 COME-00

EB-07 FRB-01 INR-05 NSAE-00 RSC-01 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 SWF-01

STR-01 /066 W

----- 079245

R 041648Z DEC 74

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 8758

INFO AMEMBASSY BOGOTA

AMEMBASSY GUATEMALA

AMCONSUL GUAYAQUIL

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMEMBASSY SAN JOSE

C O N F I D E N T I A L TEGUCIGALPA 5200

E.O. 11652: GDS

TAGS: EAGR, ECON, HO

SUBJECT: BANANAS: STANDARD FRUIT EXAMINES POSITION ON  
REHABILITATION OF ISLETA PRODUCTION

REF: TEGUCIGALPA 5118

SUMMARY: EMBASSY OFFICERS AGAIN DISCUSSED LSLETA PROBLEM  
WITH STANDARD FRUIT'S ROTOLO DECEMBER 2. COMPANY HAD  
INTENDED IN NEAR FUTURE TO PRESENT GOH WITH STUDY SHOWING  
WHY LSLETA AREA NOT AN ECONOMIC USE OF RESOURCES FOR THE  
COMPANY AND ATTACH A PLAN OF WITHDRAWAL FROM ITS COMMIT-  
MENTS THERE. AS A RESULT OF OUR DISCUSSION, STANDARD  
UNDERTOOK TO EXAMINE AN ALTERNATIVE, I.E., FOLLOWING A  
PRESENTATION OF ECONOMIC ANALYSIS OF THE AREA, STANDARD  
MIGHT INVITE THE GOH TO PARTICIPATE BILATERALLY IN  
SEEKING MEANS TO MAINTAIN PRODUCTION. ROTOLO UNDERSTANDS  
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THE NEXT MOVE IS UP TO STANDARD. HE BELIVES HIS

COMMUNICATIONS WITH THE GOH ARE REASONABLY GOOD. NO ACTION REQUESTED. END SUMMARY.

1. ALTHOUGH STANDARD HAS NOT COMPLETED FINANCIAL EXAMINATION OF ISLETA PRODUCTION, PRELIMINARY OUTLOOK IS THAT COMPANY CANNOT JUSTIFY ESTIMATED FIVE MILLION DOLLARS REHABILITATION COSTS. THE COMPANY INFORMALLY BROACHED THE POSSIBILITY OF GOH REMOVAL OF THE BANANA SURCHARGE IN ORDER TO FAVORABLY INFLUENCE THE CASH FLOW ANALYSIS. THIS WAS QUICKLY REJECTED BY THE GOH.

2. THE COMPANY IS CONSIDERING A PRESENTATION OF ITS ISLETA STUDY ACCOMPANIED BY A SCHEDULE OF PULLING OUT. AN ALTERNATIVE APPROACH WILL BE EXAMINED BY STANDARD. THIS EXAMINATION WILL INCLUDE, AMONG OTHERS, THE FOLLOWING POINTS:

A. IF THE SURCHARGE IS IMMUTABLE, TYING OF STANDARD'S ISLETA DECISION TO THE SURCHARGE PREDETERMINES THE GOH RESPONSE AS NEGATIVE AND HOSTILE.

B. THE INVESTMENT RESOURCES OF THE GOH HAVE BEEN ENHANCED BY CHANGED ATTITUDES OF THE INTERNATIONAL FINANCIAL INSTITUTIONS (HELP THE POOR) AND THEIR RESPONSE TO HURRICANE FIFI DAMAGE.

C. IF STANDARD'S LIMITATION TO REHABILITATION IS SOLELY FINANCING (AS INDICATED BY ROTOLO), PERHAPS ASSISTANCE THROUGH THE GOH IS POSSIBLE, EVEN IF NOT THROUGH REMOVAL OF THE SURCHARGE. THE GOH, IN ANY EVENT, IS LIKELY TO ATTEMPT TO MAINTAIN ISLETA PRODUCTION FOR EMPLOYMENT PURPOSES AND HOPES OF EXPORTS.

D. STANDARD HAS BEEN SEARCHING FOR REVISED MODES OF OPERATIONS IN HONDURAS (AND ELSEWHERE). PERHAPS A COOPERATIVE EFFORT WITH THE GOH ON ISLETA COULD PROVIDE EXPERIMENTAL GROUNDWORK MEANINGFUL FOR LONG TERM RELATIONSHIP. THAT THE PRESENT RELATIONSHIP COULD BE MADE VERY DIFFICULT BY A COMPANY DECISION NOT TO REHABILITATE ISLETA WAS RAISED AND EMPHASIZED BY STANDARD.  
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3. ROTOLO ACCEPTS THAT THE NEXT MOVE IS UP TO STANDARD. HE FEELS STANDARD'S COMMUNICATIONS WITH THE GOH ARE GOOD THROUGH MINLAB FONSECA AND MINGOV MELGAR. HE WILL KEEP EMBASSY ADVISED.

4. COMMENT: IT IS TOO EARLY TO DETERMINE WHETHER THE SUBSTANTIVE PROBLEM OF ALLEGEDLY MARGINAL ECONOMICS OF ISLETA

PRODUCTION CAN BE USEFULLY MANIPULATED. CLEARLY,  
HOWEVER, PUBLIC RELATIONS ASPECTS NEED TO CLOSEST ATTEN-  
TION. IT IS EMBASSY VIEW THAT A COMPANY POSTURE OF DISCUSSING  
ISLETA REHABILITATION WITH THE GOH AS A MUTUAL PROBLEM IS  
BETTER THAN FLAT ANNOUNCEMENT OF ABANDONMENT.  
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